



Market Update

Tuesday, 19 March 2019

Global Markets

Asian shares held tight ranges on Tuesday ahead of the a Federal Reserve policy meeting, but were broadly supported near six-month highs on expectations the central bank might strike a dovish tone, while fresh Brexit worries dogged the pound.

MSCI's broadest index of Asia-Pacific shares outside Japan was flat, easing back from its highest level since Sept. 21 hit earlier in the session. Japan's Nikkei average dropped 0.3 percent, while Australian stocks eased 0.1 percent. Chinese stocks held tight ranges, with benchmark Shanghai Composite hovering almost flat, the blue-chip CSI 300 declining 0.2 percent, and the Hang Seng edging 0.1 percent lower.

All three major U.S. indexes rose overnight, lifted by the bank and tech sectors, with the Dow Jones Industrial Average, the S&P 500, and the Nasdaq Composite adding between 0.3 and 0.4 percent each.

With global economic growth appearing to slow, traders were focused on the Fed meeting, which kicks off its two-day policy meeting later in the day, for clues about the likely path of U.S. borrowing costs. Investors will particularly look to see whether policymakers have sufficiently lowered their interest rate forecasts to more closely align their "dot plot", a diagram showing individual policymakers' rate views for the next three years (see chart below). Also expected is more detail on a plan to stop cutting the Fed's holdings of nearly \$3.8 trillion in bonds.

In the currency market, the pound found firmer footing on Tuesday after slipping to as low as \$1.3183 overnight as lawmakers cast doubt on Prime Minister Theresa May's third attempt to get parliament to back her Brexit deal.

May's Brexit plans were thrown into further turmoil on Monday when the speaker of parliament ruled that she could not put her divorce deal to a new vote unless it was re-submitted in fundamentally different form. May has only two days to win approval for her deal to leave the European Union if she wants to go to a summit with the bloc's leaders on Thursday with something to offer them in return for more time. Meanwhile, senior diplomats said the European Union leaders could hold off making any final decision on any Brexit delay when they meet in Brussels later this week, depending on what exactly May asks them for.

The dollar index against a basket of six major currencies barely moved and was at 96.475, hovering close to a two-week low. The index has lost 1.2 percent after hitting a three-month high of 97.710 marked on March 7. The Japanese yen inched up 0.2 percent to 111.19 yen to the dollar, while the euro was almost flat at \$1.1342.

Oil prices hovered just below 2019 highs on Tuesday, supported by ongoing supply cuts led by producer club OPEC. U.S. sanctions against oil producers Iran and Venezuela are also boosting crude prices, although traders say the market looks capped by rising American output. U.S. West Texas Intermediate (WTI) futures were little changed at \$59.09 per barrel, close to the 2019 high of \$59.23 reached the previous day, while Brent crude futures inched up 0.1 percent to \$67.62 per barrel, also not far from this year's high of \$68.14.

Source: Thomson Reuters

Domestic Markets

South Africa's rand weakened on Monday after power utility Eskom said it would carry out more power cuts this week as it struggles with capacity shortages, weighing on investor sentiment. At 1504 GMT, the rand traded at 14.4475 per dollar, 0.4 percent weaker than its New York close on Friday.

Eskom said it would continue to implement rolling blackouts on Monday and Tuesday with 4,000 megawatts to be cut from the grid on a rotational basis, locally known as 'loadshedding'. "Eskom's ongoing and extended load-shedding schedule will likely continue to weigh on possible prospects of an economic recovery," Nedbank analysts said in a note.

Analysts say power cuts, which have happened in several rounds since June last year, are one of the reasons why business confidence has slumped in recent months. The economy grew by just 0.8 percent last year, insufficient to meaningfully reduce poverty or South Africa's high unemployment rate of 27 percent.

Currency traders were now looking for further direction from South Africa's February consumer price inflation data on Wednesday and the U.S. Federal Reserve's interest rate decision due later this week.

In fixed income, the yield on the benchmark government bond maturing in 2026, the R186 rose 2.5 basis points to 8.695 percent.

Stocks meanwhile rose, with the Johannesburg Stock Exchange's top-40 index closing 1.42 percent higher, at 50,388 points. The broader all-share index rose 1.3 percent to 56,769 points.

The biggest winner on the bourse was South African retailer Steinhoff, which has lost 216 billion rand in market value since December 2017 when it disclosed a large hole in its accounts in what would become the country's biggest corporate scandal. It rose more than 7 percent on Monday, the first trading session after it published long-awaited details of a probe by PwC into the fraud at the company, which the auditor found totaled \$7.4 billion.

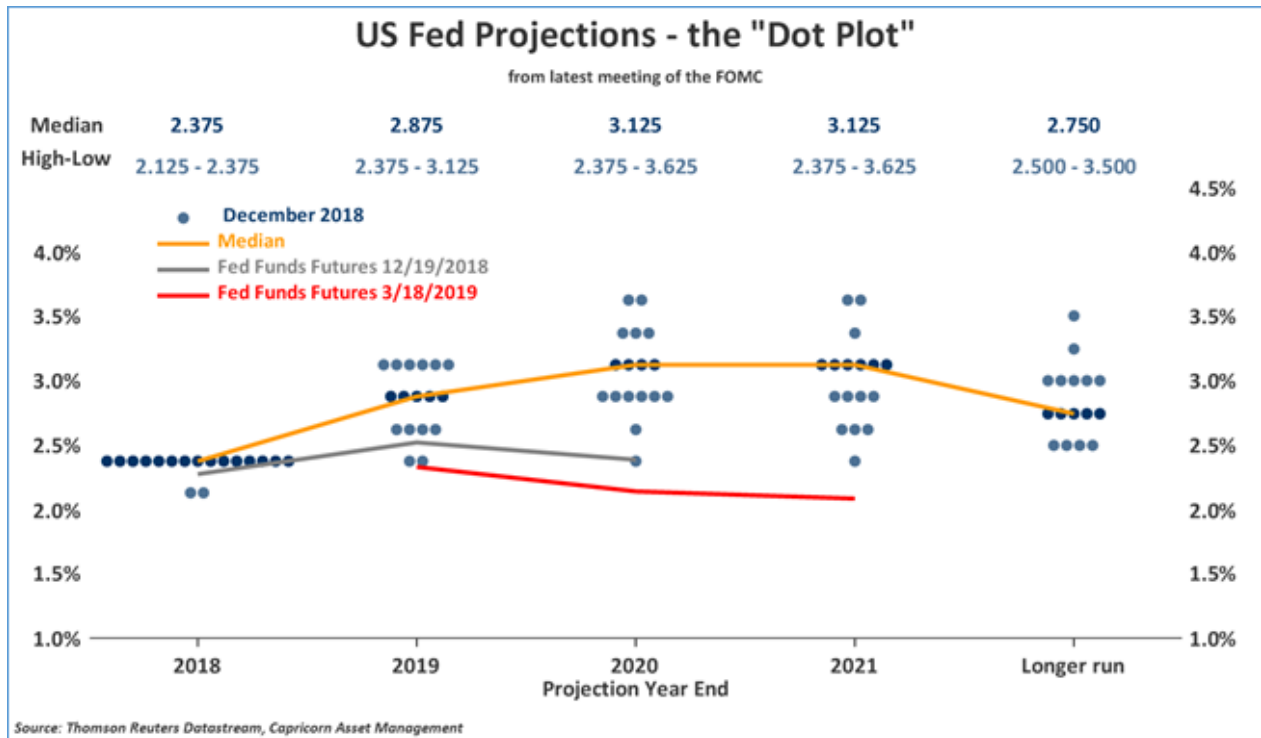
Source: Thomson Reuters

"The difficulty lies not so much in developing new ideas as in escaping from old ones."

John Maynard Keynes

Chart of the Day

The Fed is expected to remain “dovish” in this week’s meeting. This means no hike and some news on how they are to treat the “run-down” of the \$3.4tn bond portfolio. The market clearly does not expect any hike this year or, in fact, over the next two years (red line dated 18 March 2019).



Market Overview

MARKET INDICATORS		19 March 2019			
Money Market TB's		Last close	Difference	Prev close	Current Spot
3 months	↓	7.30	-0.016	7.32	7.29
6 months	↓	7.85	-0.021	7.87	7.85
9 months	↓	8.16	-0.015	8.17	8.15
12 months	↓	8.34	-0.003	8.34	8.34
Bonds		Last close	Difference	Prev close	Current Spot
GC21 (BMK: R208)	↑	8.15	0.065	8.08	8.14
GC24 (BMK: R186)	↑	9.59	0.020	9.57	9.59
GC27 (BMK: R186)	↑	9.80	0.020	9.78	9.79
GC30 (BMK: R2030)	↑	10.61	0.020	10.59	10.60
GI22 (BMK: NCPI)	⇒	4.79	0.000	4.79	4.79
GI25 (BMK: NCPI)	⇒	5.21	0.000	5.21	5.21
GI29 (BMK: NCPI)	⇒	5.77	0.000	5.77	5.77
Commodities		Last close	Change	Prev close	Current Spot
Gold	↑	1,303	0.18%	1,301	1,306
Platinum	↑	830	0.24%	828	839
Brent Crude	↑	67.5	0.57%	67.2	67.6
Main Indices		Last close	Change	Prev close	Current Spot
NSX (Delayed)	↑	1,340	0.88%	1,328	1,340
JSE All Share	↑	56,770	1.30%	56,040	56,770
SP500	↑	2,833	0.37%	2,822	2,833
FTSE 100	↑	7,299	0.98%	7,228	7,299
Hangseng	↑	29,409	1.37%	29,012	29,386
DAX	↓	11,657	-0.25%	11,686	11,657
JSE Sectors		Last close	Change	Prev close	Current Spot
Financials	↑	16,702	0.66%	16,592	16,702
Resources	↑	46,503	2.04%	45,574	46,503
Industrials	↑	68,850	1.43%	67,881	68,850
Forex		Last close	Change	Prev close	Current Spot
N\$/US dollar	↑	14.45	0.28%	14.41	14.43
N\$/Pound	↓	19.15	0.00%	19.15	19.16
N\$/Euro	↑	16.38	0.38%	16.32	16.38
US dollar/ Euro	↑	1.134	0.10%	1.13	1.135
		Namibia		RSA	
Economic data		Latest	Previous	Latest	Previous
Inflation	↓	4.4	5.1	4.0	4.5
Prime Rate	⇒	10.50	10.50	10.25	10.25
Central Bank Rate	⇒	6.75	6.75	6.75	6.75

Notes to the table:

- The money market rates are TB rates
- "BMK" = Benchmark
- "NCPI" = Namibian inflation rate
- "Difference" = change in basis points
- Current spot = value at the time of writing

Source: Bloomberg

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